

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2010**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

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**CITY OF BELLEVUE
BELLEVUE, IOWA**

OFFICIALS

Name	Title	Term Expires

(Before January 2010)		
Virgil Murray	Mayor	2012
Roger Michels	Council Member	2010
Willard Meyer	Council Member	2010
Michael Dempewolf	Council Member	2012
Brian Bormann	Council Member	2012
Gary Feuerbach	Council Member	2010
Loras Herrig	Administrator	2010
Janet Callaghan	City Clerk	2010
Cindy Blake	Assistant Clerk	2010
Mark Lawson	Attorney	2010
Lynn Schwager	Police Chief	2010
Chuck Kueter	Street Supt.	2010
(After January 2010)		
Virgil Murray	Mayor	2012
Dan Blitgen	Council Member	2014
Michael Dempewolf	Council Member	2012
Tim Roth	Council Member	2012
Gary Feuerbach	Council Member	2014
Roger Michels	Council Member	2014
Loras Herrig	Administrator	2011
Janet Callaghan	City Clerk	2011
Cindy Blake	Assistant Clerk	2011
Steven Kahler	Attorney	2011
Lynn Schwager	Police Chief	2011
Chuck Kueter	Street Supt.	2011

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Bellevue's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2011, on our consideration of the City of Bellevue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellevue's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa

May 18, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellevue provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts included \$722,589 in property tax, \$401,214 in TIF, \$171,326 in local option tax, \$207,726 in road use tax.
- Disbursements increased 20.4% in fiscal 2010 from fiscal 2009, a total of \$1,534,028. Disbursements in governmental activities decreased 3.2%, a total of \$97,249, while business type activities disbursements increased \$1,631,277 or 35.3%.
- The City's total cash basis net assets increased \$324,106 or 47.3% from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased \$342,015 and the assets of the business type activities decreased \$17,909.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and proprietary funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer, electric, garbage, ambulance service, and telecommunications services. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund; 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains ten Enterprise Funds to provide separate information for the water, sewer, electric, garbage, ambulance, cable television, and customer deposits funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$352,189 to \$694,204. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2010	2009
Receipts and transfers:		
Program Receipts:		
Charges for services	\$ 57,943	\$ 54,313
Operating grants and contributions	294,758	257,254
Capital grants and contributions	719,804	143,114
General Receipts:		
Property tax	722,589	667,720
Tax increment financing	401,214	297,412
Local option sales tax	171,326	170,662
Unrestricted investment earnings	2,893	5,038
Note proceeds	250,000	1,470,000
Other general receipts	46,872	45,086
Transfers, net	570,126	250,479
	-----	-----
Total receipts and transfers	\$3,237,525	\$3,361,078
	-----	-----
Disbursements:		
Public safety	\$ 434,801	\$ 590,501
Public works	359,853	476,719
Culture and recreation	238,277	297,908
Community and economic development	76,579	70,805
General government	346,116	327,883
Debt service	741,952	876,026
Capital projects	697,932	352,917
	-----	-----
Total disbursements	\$2,895,510	\$2,992,759
	-----	-----
Increase in cash basis net assets	\$ 342,015	\$ 368,319
Cash basis net assets beginning of year	352,189	(16,130)
	-----	-----
Cash basis net assets end of year	\$ 694,204	\$ 352,189
	=====	=====

Total receipts for the City's governmental activities decreased by 3.7%, or \$123,553. The total cost of all programs and services decreased 3.2%, or \$97,249. The decrease in receipts was caused by a large drop in loan proceeds \$1,470,000 to \$250,000. In fiscal year 2009, the city borrowed \$1,470,000 for the Walkways For Life project, street projects, and the purchase of a fire department tanker compared to \$1,065,000 in fiscal year 2010 for a water/sewer extension project and to refund two sewer bond obligations. Even though debt proceeds decreased significantly from the prior fiscal year, total receipts did not. This is due to an increase in TIF collections and significant private contributions for a water/sewer extension projects.

The cost of all governmental activities this year was \$2,895,510 compared to \$2,992,759 last year. Disbursements in the various functions other than capital outlay decreased \$442,264 in fiscal year 2010 due to a strong effort by management to reduce all expenses during depressed economic times. Capital project disbursements increased as a result of sewer, water, and road projects being completed as planned.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charge for services:		
Water	\$ 282,443	\$ 278,164
Electric	1,878,253	1,702,546
Sewer rental	392,777	387,591
Sanitation	286,205	286,504
Ambulance	113,319	129,390
Telecommunications	803,492	687,850
Operating grants and contributions	8,271	7,200
Capital grants and contributions	18,000	17,000
General receipts:		
Unrestricted interest on investments	6,640	29,347
Miscellaneous	105,285	98,493
Proceeds of debt	2,815,000	---
	-----	-----
Total receipts	\$ 6,709,685	\$ 3,624,085
	-----	-----
Disbursements and transfers:		
Water	\$ 182,996	\$ 344,323
Electric	1,929,200	1,565,169
Sewer rental	925,965	564,397
Sanitation	268,221	248,730
Ambulance	92,346	94,177
Telecommunications	2,749,717	1,700,524
Customer's deposits	9,023	8,871
Transfers, net	570,126	250,479
	-----	-----
Total disbursements and transfers	\$ 6,727,594	\$ 4,776,670
	-----	-----

Changes in Cash Basis Net Assets of Business Type Activities (Continued)

	Year Ended June 30,	
	2010	2009
Increase (decrease) in cash basis net assets	\$ (17,909)	\$(1,152,585)
Cash basis net assets beginning of year	332,946	1,485,531
Cash basis net assets end of year	\$ 315,037	\$ 332,946

Total business type activities receipts for the fiscal year were \$6,709,685 compared to \$3,624,085 last year. The increase in receipts was due to proceeds of debt increasing from \$0 to \$2,815,000. This was mainly for the telecommunications project.

Total disbursements and transfers for the fiscal year were \$6,727,594 compared to \$4,776,670 last year. Disbursements increased due to the telecommunications project. The electric utility increased expenditures for transmission line projects and the sewer department also completed some planned upgrades.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bellevue completed the year, its governmental funds reported a combined fund balance of \$694,204, an increase of \$342,015 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the previous year.

- The General Fund cash balance increased from \$509,382 to \$560,593 due to a renewed emphasis on efficiency.
- The TIF District Fund cash balance increased from \$(496) to \$98,805 due to an overpayment from Jackson County. The excess funds will be used to prepay debt on TIF obligations.
- The Capital Projects Fund cash balance increased from \$(369,106) to \$(105,994) due to grant proceeds being received. Additional grant proceeds will bring the fund out of a negative balance.
- The Debt Service Fund cash balance decreased from \$28,376 to \$889 due to additional debt reduction.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased from \$241,717 to \$318,886 as revenues built reserves in anticipation of water main replacement projects.
- The Electric Fund cash balance decreased from \$665,773 to \$527,747 as a result of increased operating expenses. This reserve is lower than desired. The industry normally recommends

- that you have six months of operating expenses in reserve and at this time we have approximately 3 months.
- The Sewer Fund cash balance decreased from \$(75,487) to \$(86,363). This fund will be analyzed to determine future cash flow needs. Infrastructure improvements depleted funds. Rate increases at year-end are anticipated to replenish reserves to normal levels.
- The Sewer Capital Fund cash balance decreased from \$5,693 to \$0 as a result of the refunding of the sewer revenue notes.
- The Sanitation Fund cash balance decreased from \$28,901 to \$13,849 as a result of increased operating expenses. Rates will have to be increased to replenish reserves.
- The Ambulance Fund cash balance increased from \$134,083 to \$178,508. This fund continues to grow in anticipation of an ambulance purchase.
- The Telecommunications Fund cash balance increased from \$(905,017) to \$(825,839) due to increased revenues. This fund continues to need attention as the negative balance needs to be reduced through additional revenues or debt restructuring.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 9, 2010 to provide for unanticipated expenditures.

The City's receipts for charges for services were under budget by \$916,409. This was primarily due to timing of projects.

The City's total disbursements were over budget by \$1,496,157. The actual disbursements for the public safety, public works, culture and recreation, community and economic development, general government, and capital projects were \$149,874, \$39,553, \$22,873, \$244,999, \$6,439, and \$444,068, respectively, less than the amended budget. This was primarily due to expected expenditures being delayed to the next fiscal year. The City exceeded the amount budgeted in the debt service function and the business type activities for the year ended June 30, 2010 due to debt refinancing occurring which increased both areas.

DEBT ADMINISTRATION

At June 30, 2010, the city had \$5,294,890 in long-term debt, compared to \$5,501,700 last year, as shown below.

Outstanding Debt at Year-end		
	June 30,	
	2010	2009
General obligation notes	\$ 2,982,643	\$ 2,475,740
Revenue bonds	1,981,984	2,583,108
Other obligations	330,263	442,852
	-----	-----
Total	\$ 5,294,890	\$ 5,501,700
	=====	=====

Debt decreased as a result of normal debt amortization. Total principal paid during the year was \$3,271,810.

During the year ended June 30, 2010 the City issued \$250,000 of general obligation bonds to finance Water and Sanitary Sewer improvements. The City also issued \$815,000 of general obligation refunding bonds to redeem \$780,000 in 1999 Series revenue notes and 2000 Series general obligation notes. The City refunded the notes to change its debt service requirements from approximately \$874,000 to approximately \$843,000 over the five years 2010 through 2014, resulting in an economic gain of approximately \$28,000.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,000,643 is below its constitutional debt limit of \$6,065,243.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2011. Total revenues anticipated are \$5,700,000, a decrease from 2010 where total actual receipts were \$6,306,058. Total disbursements anticipated are \$6,000,000, a decrease from 2010 where total actual disbursements were \$9,052,978. The city continues to be conservative due to unsettled economic times and a desire to build reserves.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Loras Herrig, City Administrator, 106 N. Third Street, Bellevue IA 52031 or 563-872-4456.

**BASIC
FINANCIAL
STATEMENTS**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Public safety	\$ 434,801	\$ 9,005	\$ 40,505	\$ 6,050	\$ (379,241)	\$ ---	\$ (379,241)
Public works	359,853	---	217,990	---	(141,863)	---	(141,863)
Culture and recreation	238,277	34,240	31,263	2,710	(170,064)	---	(170,064)
Community and economic development	76,579	---	5,000	---	(71,579)	---	(71,579)
General government	346,116	14,698	---	---	(331,418)	---	(331,418)
Debt service	656,952	---	---	---	(656,952)	---	(656,952)
Capital projects	697,932	---	---	711,044	13,112	---	13,112
Total Governmental Activities	\$ 2,810,510	\$ 57,943	\$ 294,758	\$ 719,804	\$ (1,738,005)	\$ ---	\$ (1,738,005)
Business Type Activities:							
Water	\$ 182,996	\$ 282,443	---	\$ ---	\$ ---	\$ 99,447	\$ 99,447
Electric	1,820,803	1,878,253	---	---	---	57,450	57,450
Electric - capital equipment	108,397	---	---	---	---	(108,397)	(108,397)
Sewer rental	205,271	392,777	---	---	---	187,506	187,506
Sewer capital	25,694	---	---	---	---	(25,694)	(25,694)
Sanitation	268,221	286,205	---	---	---	17,984	17,984
Ambulance	92,346	113,319	8,271	18,000	---	47,244	47,244
Telecommunications	924,466	803,492	---	---	---	(120,974)	(120,974)
Customer deposits	9,023	---	---	---	---	(9,023)	(9,023)
Total Business Type Activities	\$ 3,637,217	\$ 3,756,489	\$ 8,271	\$ 18,000	\$ ---	\$ 145,543	\$ 145,543
Total	\$ 6,447,727	\$ 3,814,432	\$ 303,029	\$ 737,804	\$ (1,738,005)	\$ 145,543	\$ (1,592,462)

EXHIBIT "A" (Continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Primary Government					
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities
						Total
General Receipts and Transfers:						
Property tax levied for:						
General purposes					\$ 646,137	\$ 646,137
Debt service					76,452	76,452
Tax increment financing					401,214	401,214
Local option sales tax					171,326	171,326
Other city tax					4,534	4,534
Unrestricted interest on investments					2,893	9,533
Interfund debt repayment					---	64,089
Miscellaneous					36,312	41,196
Proceeds of debt					250,000	250,000
Proceeds of refunding debt					---	2,815,000
Sale of assets					6,026	6,026
Payment to refund notes					(85,000)	(2,520,251)
Transfers					570,126	(570,126)
Total General Receipts and Transfers					\$ 2,080,020	\$ 1,916,568
Change in Cash Basis Net Assets					\$ 342,015	\$ 324,106
Cash Basis Net Assets Beginning of Year					352,189	685,135
Cash Basis Net Assets End of Year					\$ 694,204	\$ 1,009,241
Cash Basis Net Assets:						
Restricted:						
Expendable:						
Streets					\$ 133,762	\$ 133,762
Debt service					889	889
Other purposes					6,149	93,652
Urban renewal purposes					98,805	---
Unrestricted					454,599	780,938
Total Cash Basis Net Assets					\$ 694,204	\$ 1,009,241

See notes to financial statements.

EXHIBIT "B"

CITY OF BELLEVUE
BELLEVUE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	General	TIF District	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:						
Property tax	\$ 455,133	\$ ---	\$ ---	\$ 76,452	\$ 191,004	\$ 722,589
Tax increment financing	---	401,214	---	---	---	401,214
Other city tax	85,763	---	---	---	85,563	171,326
Licenses and permits	14,698	---	---	---	---	14,698
Use of money and property	8,439	840	---	---	385	9,664
Intergovernmental	85,694	---	179,000	---	217,990	482,684
Charges for services	33,159	---	---	---	---	33,159
Miscellaneous	19,145	---	532,044	---	24,850	576,039
Total Receipts	\$ 702,031	\$ 402,054	\$ 711,044	\$ 76,452	\$ 519,792	\$ 2,411,373
Disbursements:						
Operating:						
Public safety	\$ 434,801	\$ ---	\$ ---	\$ ---	\$ ---	\$ 434,801
Public works	72,175	---	---	---	287,678	359,853
Culture and recreation	238,277	---	---	---	---	238,277
Community and economic development	1,000	75,579	---	---	---	76,579
General government	346,116	---	---	---	---	346,116
Debt service:						
Principal	---	---	---	545,686	---	545,686
Interest and fiscal charges	---	---	---	111,266	---	111,266
Capital projects	---	---	697,932	---	---	697,932
Total Disbursements	\$ 1,092,369	\$ 75,579	\$ 697,932	\$ 656,952	\$ 287,678	\$ 2,810,510
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (390,338)	\$ 326,475	\$ 13,112	\$ (580,500)	\$ 232,114	\$ (399,137)

See notes to financial statements.

EXHIBIT "B" (Continued)

CITY OF BELLEVUE
BELLEVUE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	General	TIF District	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Other Financing Sources (Uses):						
Proceeds of debt	\$ ---	\$ ---	\$ 250,000	\$ ---	\$ ---	\$ 250,000
Sale of capital assets	---	---	---	---	6,026	6,026
Payment to refund notes	---	---	---	(85,000)	---	(85,000)
Operating transfers in	584,049	---	---	638,013	3,000	1,225,062
Operating transfers out	(142,500)	(227,174)	---	---	(285,262)	(654,936)
Total Other Financing Sources (Uses)	\$ 441,549	\$ (227,174)	\$ 250,000	\$ 553,013	\$ (276,236)	\$ 741,152
Net Change in Cash Balances	\$ 51,211	\$ 99,301	\$ 263,112	\$ (27,487)	\$ (44,122)	\$ 342,015
Cash Balances Beginning of Year	509,382	(496)	(369,106)	28,376	184,033	352,189
Cash Balances End of Year	\$ 560,593	\$ 98,805	\$ (105,994)	\$ 889	\$ 139,911	\$ 694,204
Cash Basis Fund Balances:						
Reserved for debt service	\$ ---	\$ ---	\$ ---	\$ 889	\$ ---	\$ 889
Unreserved:						
Designated for:						
Police squad car	3,196	---	---	---	---	3,196
Police scholarship	1,000	---	---	---	---	1,000
General fund	556,397	---	---	---	---	556,397
Special revenue funds	---	98,805	---	---	139,911	238,716
Capital projects fund	---	---	(105,994)	---	---	(105,994)
Total Cash Basis Fund Balances	\$ 560,593	\$ 98,805	\$ (105,994)	\$ 889	\$ 139,911	\$ 694,204

CITY OF BELLEVUE
BELLEVUE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds				
	Water	Electric	Sewer Rental	Sewer Capital	Sanitation
Operating Receipts:					
Use of money and property	\$ ---	\$ 3,278	\$ ---	\$ ---	\$ ---
Charges for service	282,443	1,874,975	392,777	---	286,205
Miscellaneous	3,473	11,487	3,213	---	112
Total Operating Receipts	\$ 285,916	\$ 1,889,740	\$ 395,990	\$ ---	\$ 286,317
Operating Disbursements:					
Business type activities	\$ 142,996	\$ 1,820,803	\$ 205,271	\$ ---	\$ 268,221
Excess(Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ 142,920	\$ 68,937	\$ 190,719	\$ ---	\$ 18,096
Non-Operating Receipts (Disbursements):					
Intergovernmental	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Interest on investments	1,504	4,053	---	---	---
Contributions	---	---	---	---	---
Interfund debt repayments	---	---	---	---	---
Debt service:					
Principal	(40,000)	---	---	---	---
Interest and fiscal charges	---	---	---	(25,694)	---
Total Non-Operating Receipts (Disbursements)	\$ (38,496)	\$ 4,053	\$ ---	\$ (25,694)	\$ ---
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 104,424	\$ 72,990	\$ 190,719	\$ (25,694)	\$ 18,096
Other Financing Sources (Uses):					
Proceeds of refunding debt	\$ ---	\$ ---	\$ 815,000	\$ ---	\$ ---
Payment to refund notes	---	---	---	(695,000)	---
Operating transfers in	---	---	---	715,001	---
Operating transfers out	(27,255)	(211,016)	(1,016,595)	---	(33,148)
Total Other Financing Sources (Uses)	\$ (27,255)	\$ (211,016)	\$ (201,595)	\$ 20,001	\$ (33,148)
Net Change in Cash Balances	\$ 77,169	\$ (138,026)	\$ (10,876)	\$ (5,693)	\$ (15,052)
Cash Balances Beginning of Year	241,717	665,773	(75,487)	5,693	28,901
Cash Balances End of Year	\$ 318,886	\$ 527,747	\$ (86,363)	\$ ---	\$ 13,849
Cash Basis Fund Balances:					
Unreserved	\$ 318,886	\$ 527,747	\$ (86,363)	\$ ---	\$ 13,849

See notes to financial statements.

EXHIBIT "C" CONTINUED

Enterprise Funds			
Ambulance	Telecom- munications	Other Nonmajor Enterprise Funds	Total
\$ ---	\$ ---	\$ ---	\$ 3,278
113,319	803,492	---	3,753,211
124	12,594	10,193	41,196
\$ 113,443	\$ 816,086	\$ 10,193	\$ 3,797,685
\$ 68,234	\$ 740,949	\$ 141,532	\$ 3,388,006
\$ 45,209	\$ 75,137	\$ (131,339)	\$ 409,679
\$ 8,271	\$ ---	\$ ---	\$ 8,271
867	---	216	6,640
---	---	18,000	18,000
---	---	64,089	64,089
---	(80,873)	---	(120,873)
---	(102,644)	---	(128,338)
\$ 9,138	\$ (183,517)	\$ 82,305	\$ (152,211)
\$ 54,347	\$ (108,380)	\$ (49,034)	\$ 257,468
\$ ---	\$ 2,000,000	\$ ---	\$ 2,815,000
---	(1,825,251)	---	(2,520,251)
---	100,000	---	815,001
(9,922)	(87,191)	---	(1,385,127)
\$ (9,922)	\$ 187,558	\$ ---	\$ (275,377)
\$ 44,425	\$ 79,178	\$ (49,034)	\$ (17,909)
134,083	(905,017)	237,283	332,946
\$ 178,508	\$ (825,839)	\$ 188,249	\$ 315,037
\$ 178,508	\$ (825,839)	\$ 188,249	\$ 315,037

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies:

The City of Bellevue is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides, water, sewer, electric, sanitation, and cable and internet telecommunication utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Bellevue, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jackson County Assessor's Conference Board, Jackson County Joint E911 Service Board, Bellevue Economic Tourism Association, and Jackson County Municipal League.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Principles: (Continued)

B. Basis of Presentation (Continued)

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The TIF District Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Capital Fund accounts for the payment of principal and interest on the sewer improvement notes.

The Sanitation Fund is used to account for the operation and maintenance of the City's refuse collection services.

The Ambulance Fund is used to account for the operation and maintenance of the City's ambulance service.

The Telecommunications Fund is used to account for the operation and maintenance of the City's cable television and internet system.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 - Summary of Significant Accounting Principles: (Continued)

C. Measurement Focus and Basis of Accounting

The City of Bellevue maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resource to such programs followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the debt service function.

Note 2 - Cash and Pooled Investments:

The City's deposits in banks at June 30, 2010, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 2 - Cash and Pooled Investments: (Continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Note 3 - Bonds and Notes Payable:

Annual debt service requirements to maturity for general obligation bonds/notes and revenue notes are as follows:

Year Ending June 30	General Obligation Bonds/Notes		Revenue Notes	
	Principal	Interest	Principal	Interest
2011	\$ 543,097	\$ 104,273	\$ 68,136	\$ 75,574
2012	503,096	88,677	70,814	72,898
2013	502,850	72,637	73,596	70,116
2014	517,850	55,657	76,488	67,224
2015	372,850	37,739	79,494	64,218
2016-2020	542,900	39,246	446,842	271,714
2021-2025	---	---	541,800	176,754
2026-2030	---	---	624,814	61,664
	<u>\$ 2,982,643</u>	<u>\$ 398,229</u>	<u>\$ 1,981,984</u>	<u>\$ 860,162</u>

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 3 - Notes Payable: (Continued)

Year Ending June 30	Other Obligations		Total	
	Principal	Interest	Principal	Interest
2011	\$ 71,089	\$ ---	\$ 682,322	\$ 179,847
2012	71,089	---	644,999	161,575
2013	68,085	---	644,531	142,753
2014	40,000	---	634,338	122,881
2015	40,000	---	492,344	101,957
2016-2020	40,000	---	1,029,742	310,960
2021-2025	---	---	541,800	176,754
2026-2030	---	---	624,814	61,664
	<u>\$ 330,263</u>	<u>\$ ---</u>	<u>\$ 5,294,890</u>	<u>\$ 1,258,391</u>

Following is a summary of the terms and conditions of the notes outstanding as of June 30, 2010.

Revenue Notes:

On April 1, 2010, the City issued \$2 million in telecommunications revenue and refunding notes with an initial interest rate of 3.86% to currently refund \$1.825 million of outstanding telecommunications revenue notes with a variable interest rate of 5.53% and provide approximately \$175,000 for improvements to the City's telecommunications system. The City currently refunded the old telecommunications notes to change its debt service requirements from approximately \$2.56 million over 13 years to approximately \$2.87 million over 20 years (approximately \$2.62 million is related to the refunding of the old revenue notes), resulting in an economic gain (difference between the present value of the old and new debt) of approximately \$187,000.

Both the old and new debt issues have variable interest rates; therefore, the debt service requirements and economic gain resulting from the refunding are based on the interest rates in effect at the date of the refunding. Due to future interest rate fluctuations, the debt service requirements and economic gain resulting from the refunding may vary from the amounts presented.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 3 - Notes Payable: (Continued)

The City has pledged future telecommunications customer receipts, net of specified operating disbursements, to repay \$2,000,000 in telecommunications utility revenue notes issued April 1, 2010. Proceeds from the notes were used for the refunding of project notes and provided financing for improving and upgrading the City's telecommunications system. The notes are payable solely from telecommunications customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 20 percent of the receipts. Total principal and interest remaining to be paid on the notes is \$2,842,146. For the current year, principal and interest paid and total customer net receipts were \$35,928 and \$803,492, respectively.

The resolution providing for the issuance of the telecommunications revenue notes include the following provisions:

- (a) The principal of the notes bears interest from the date of the notes until the first interest adjustment date at the rate of 3.86% per annum. On April 1, 2015, April 1, 2020, and April 1, 2025 the "Interest Adjustment Dates"), the interest rate on the notes will be adjusted to a rate equal to 1.5% over the 5-year U.S. Treasury Constant Maturities as released by the Board of Governors of the Federal Reserve System.
- (b) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

General Obligation Notes:

On January 1, 2000, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$400,000 in General Obligation Sewer Improvement Notes.

On July 23, 2001, the City entered into a loan agreement with Maquoketa Valley Electric Cooperative and provided for issuance of \$102,467 in General Obligation Corporate Purpose Notes.

On September 1, 2006, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$1,850,000 in General Obligation Corporate Purpose Notes.

On May 29, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$150,000 in General Obligation Street Improvement Notes.

On May 29, 2009, the City entered into a loan agreement with Fidelity Bank and provided for the issuance of \$150,000 in General Obligation Street Improvement Notes.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 3 - Notes Payable: (Continued)

On May 29, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$150,000 in General Obligation Street Improvement Notes.

On May 29, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$350,000 in General Obligation Street/Sidewalk Improvement Notes.

On May 29, 2009, the City entered into a loan agreement with Fidelity Bank and provided for the issuance of \$350,000 in General Obligation Street/Sidewalk Improvement Notes.

On November 23, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$125,000 in General Obligation/Water and Sanitary Sewer Improvement Notes.

On November 23, 2009, the City entered into a loan agreement with Fidelity Bank and provided for the issuance of \$125,000 in General Obligation/Water and Sanitary Sewer Improvement Notes.

On March 1, 2010, the City issued \$815,000 of general obligation refunding bonds with an average rate of 1.62% to redeem \$780,000 in 1999 Series revenue notes and 2000 Series general obligation notes with an average rate of 5.04%. The City refunded the 1999 sewer revenue and 2000 general obligation notes to change its debt service requirements from approximately \$874,000 to approximately \$843,000 over the five years 2010 through 2014, resulting in an economic gain (difference between the present value of the old and new debt) of approximately \$28,000.

Other Obligations:

On February 1, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$240,886 expended for municipal water and sewer improvements for an area annexed on the northerly city limits of Bellevue. This amount will be repaid in annual installments of \$24,089 with the final payment due June 1, 2014.

On June 30, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$400,000 expended for municipal wells. This amount will be repaid in annual installments of \$40,000 with the final payment due December 1, 2015.

On September 16, 2008, the City of Bellevue entered into a loan agreement to repay the Iowa Department of Public Safety \$70,000 for a fire truck. This amount will be repaid in semi annual installments of \$3,500 with the final payment due December 1, 2018.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 4 - Pension and Retirement Benefits:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$73,274, \$71,420, and \$62,529, respectively, equal to the required contributions for each year.

Note 5 - Other Postemployment Benefits (OPEB):

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 22 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Medical Associates Health Plans. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$399 for single coverage and \$1,014 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$173,637 and plan members eligible for benefits contributed \$58,811 to the plan.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 5 - Development Agreements:

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate the incremental tax paid by the developer in exchange for the construction of buildings, housing, and certain infrastructure by the developers. The obligations under several of the agreements are not subject to annual appropriation by the City Council; however, the amount of the City's obligation cannot be determined.

These agreements require the City to rebate all of the incremental tax for a period not to exceed 10 years with no predetermined maximum amount to be paid. The City has rebated a total of \$433,042 of incremental tax under these agreements. Of this amount, \$71,947 was paid during the current year. The obligation under the other agreement is subject to annual appropriation by the City Council. The total to be paid by the City under this agreement is not to exceed \$28,808. The City has rebated a total of \$10,676 under this agreement. Of this amount \$3,632 was paid during the current year.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

Note 6 - 28 E Agreements:

Communications Services -

On May 23, 1983, the City entered into a 28E Agreement with the City of Maquoketa. The agreement is for the purpose of providing the City of Bellevue with communication services for law enforcement and community protection purposes.

Community Protection Services -

On May 27, 1986, the City entered into a 28E Agreement with the Cities of Maquoketa, Preston, and Sabula. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 24, 1990, the City entered into a 28E Agreement with Jackson County. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 28, 1999, the City entered into a 28E Agreement with the Bellevue Rural Fire Agency of Jackson County. The agreement is for the purpose of providing more efficient fire protection.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 6 - 28 E Agreements: (Continued)

Landfill Operation -

In 1971 the City entered into a 28E Agreement with other Jackson County communities. The agreement is for the purpose of providing more efficient landfill operations.

Contract Law Enforcement -

In 2010, the City renewed its 28E Agreement with the Corp. of Engineers to provide increased law enforcement services during the period of May 15 - September 17, 2010 for the Pleasant Creek Recreation Area, Mississippi River Project.

Note 7 - 28 D Agreement:

Drug Task Force -

In 1997, the City entered into a 28D Agreement with various Jackson County and Jones County law enforcement agencies. The purpose of the agreement is to recognize the guidelines, terms and conditions set forth in the Iowa Code Chapter 28D relating to the interchange of federal, state, and local government employees in regards to the above 28E Drug Task Force Agreement.

Note 8 - Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and personal leave accumulates but is not payable upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation leave termination payments payable to employees at June 30, 2010, primarily relating to the General and Utility Funds, is as follows:

Type of Benefit	Amount
-----	-----
Vacation	\$ 63,970
	=====

The liability has been computed based on rates of pay as of June 30, 2010.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 9 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
-----	-----	-----
General	Special Revenue:	
	Employee Benefits	\$ 191,262
	Enterprise:	
	Water	27,255
	Electric	211,016
	Sewer Rental	27,255
	Sanitation	30,148
	Ambulance	9,922
	Telecommunications	87,191

		\$ 584,049

Special Revenue:	Enterprise:	
LOT - Street Improvement	Sanitation	\$ 3,000

Debt Service	General	\$ 42,500
	Special Revenue:	
	TIF - District	227,174
	LOT - Street Improvement	45,500
	Fire Department Capital	48,500
	Enterprise:	
	Sewer Capital	274,339

		\$ 638,013

Enterprise:	Enterprise:	
Sewer Capital	Sewer Rental	\$ 715,001
Telecommunications	General	100,000

Total		\$2,040,063
		=====

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move "in lieu of tax" payments from the enterprise funds, and (4) provide capital contributions.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 10 - Risk Management:

The City of Bellevue is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$104,302.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 10 - Risk Management: (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 11 - Deficit Fund Balance:

The Capital Projects Fund, Sewer Rental Fund, and Telecommunications Fund had deficit balances at June 30, 2010, in the amount of \$105,994, \$86,363 and \$825,839, respectively.

Note 12 - Related Party Transactions:

The City had business transactions between the City and City officials totaling \$1,898 during the year ended June 30, 2010.

Note 13 - Commitments/Construction in Progress:

In fiscal year 2010, the City entered into a contract totaling \$657,954 for water/sewer improvements. Change orders decreased the contracts by \$45,410. At June 30, 2010, payments of \$581,917 had been made on the contract of which the City has received reimbursements of \$532,044 from a developer.

The City had a commitment to buy an ambulance for \$144,477 and a copier for \$3,545 at the end of fiscal year 2010.

Note 14 - Subsequent Events:

Subsequent to year end the city received \$100,000 from a charitable organization to establish a fund that is to be used to help create a safer environment for future parades in Bellevue. The Bellevue Fire Department and Bellevue Ambulance Service also received \$40,000 each to use at their discretion.

Subsequent events have been evaluated by management through May 18, 2011, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 722,589	\$ ---	\$ 722,589	\$ 720,459	\$ 720,459	\$ 2,130
Tax increment financing collections	401,214	---	401,214	294,578	294,578	106,636
Other city tax	171,326	---	171,326	183,495	183,495	(12,169)
Licenses and permits	14,698	---	14,698	15,000	15,000	(302)
Use of money and property	9,664	9,918	19,582	37,578	37,578	(17,996)
Intergovernmental	482,684	8,271	490,955	262,066	562,066	(71,111)
Charges for service	33,159	3,753,211	3,786,370	4,102,779	4,702,779	(916,409)
Miscellaneous	576,039	123,285	699,324	67,870	67,870	631,454
Total Receipts	\$ 2,411,373	\$ 3,894,685	\$ 6,306,058	\$ 5,683,825	\$ 6,583,825	\$ (277,767)
Disbursements:						
Public safety	\$ 434,801	\$ ---	\$ 434,801	\$ 510,675	\$ 584,675	\$ 149,874
Public works	359,853	---	359,853	298,406	399,406	39,553
Culture and recreation	238,277	---	238,277	254,150	261,150	22,873
Community and economic development	76,579	---	76,579	295,578	321,578	244,999
General government	346,116	---	346,116	352,555	352,555	6,439
Debt service	656,952	---	656,952	164,836	164,836	(492,116)
Capital projects	697,932	---	697,932	1,000,000	1,142,000	444,068
Business-type activities	---	3,637,217	3,637,217	3,478,621	4,330,621	693,404
Total Disbursements	\$ 2,810,510	\$ 3,637,217	\$ 6,447,727	\$ 6,354,821	\$ 7,556,821	\$ 1,109,094

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)-
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (399,137)	\$ 257,468	\$ (141,669)	\$ (670,996)	\$ (972,996)	\$ 831,327
Other Financing Sources (Uses), Net	741,152	(275,377)	465,775	1,000,000	1,602,000	(1,136,225)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 342,015	\$ (17,909)	\$ 324,106	\$ 329,004	\$ 629,004	\$ (304,898)
Balances Beginning of Year	352,189	332,946	685,135	1,117,687	1,117,687	(432,552)
Balances End of Year	\$ 694,204	\$ 315,037	\$ 1,009,241	\$ 1,446,691	\$ 1,746,691	\$ (737,450)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING**

JUNE 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,202,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the debt service function.

**OTHER
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue				
	Road Use Tax	Employee Benefits	LOT - Street Improvement	Fire Department Gift Fund	Total
Receipts:					
Property tax	\$ ---	\$ 191,004	\$ ---	\$ ---	\$ 191,004
Other city tax	---	---	85,563	---	85,563
Use of money and property	---	258	127	---	385
Intergovernmental	207,726	---	10,264	---	217,990
Miscellaneous	---	---	18,800	6,050	24,850
Total Receipts	\$ 207,726	\$ 191,262	\$ 114,754	\$ 6,050	\$ 519,792
Disbursements:					
Operating:					
Public works	\$ 198,309	\$ ---	\$ 89,369	\$ ---	\$ 287,678
Total Disbursements	\$ 198,309	\$ ---	\$ 89,369	\$ ---	\$ 287,678
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 9,417	\$ 191,262	\$ 25,385	\$ 6,050	\$ 232,114
Other Financing Sources (Uses):					
Sale of capital assets	\$ ---	\$ ---	\$ 6,026	\$ ---	\$ 6,026
Transfers in	---	---	3,000	---	3,000
Transfers out	---	(191,262)	(45,500)	(48,500)	(285,262)
Total Other Financing Sources (Uses)	\$ ---	\$ (191,262)	(36,474)	\$ (48,500)	\$ (276,236)
Net Change in Cash Balances	\$ 9,417	\$ ---	\$ (11,089)	\$ (42,450)	\$ (44,122)
Cash Balances Beginning of Year	33,926	---	101,508	48,599	184,033
Cash Balances End of Year	\$ 43,343	\$ ---	\$ 90,419	\$ 6,149	\$ 139,911
Cash Basis Fund Balances:					
Unreserved:					
Special revenue funds	\$ 43,343	\$ ---	\$ 90,419	\$ 6,149	\$ 139,911

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES – NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Electric- Capital Equipment	Ambulance Gift Fund	Customer Deposits	Total
	-----	-----	-----	-----
Operating Receipts:				
Miscellaneous	\$ ---	\$ ---	\$ 10,193	\$ 10,193
	-----	-----	-----	-----
Operating Disbursements:				
Business type activities	\$ 108,397	\$ 24,112	\$ 9,023	\$ 141,532
	-----	-----	-----	-----
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ (108,397)	\$ (24,112)	\$ 1,170	\$ (131,339)
	-----	-----	-----	-----
Non-Operating Receipts (Disbursements):				
Interest on investments	\$ 47	\$ 169	\$ ---	\$ 216
Contributions	---	18,000	---	18,000
Interfund debt repayment	64,089	---	---	64,089
	-----	-----	-----	-----
Total Non-Operating Receipts (Disbursements)	\$ 64,136	\$ 18,169	\$ ---	\$ 82,305
	-----	-----	-----	-----
Net Change in Cash Balances	\$ (44,261)	\$ (5,943)	\$ 1,170	\$ (49,034)
Cash Balances Beginning of Year	115,412	93,446	28,425	237,283
	-----	-----	-----	-----
Cash Balances End of Year	\$ 71,151	\$ 87,503	\$ 29,595	\$ 188,249
	=====	=====	=====	=====
Cash Basis Fund Balances:				
Unreserved	\$ 71,151	\$ 87,503	\$ 29,595	\$ 188,249
	=====	=====	=====	=====

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds/Notes:									
Sewer Improvement Note: Bankers Trust	January 1, 2000	4.70%-5.60%	\$ 400,000	\$ 85,000	\$ ---	\$ 85,000	\$ ---	\$ 3,540	\$ ---
Fire Station Note: Maquoketa Valley Electric Cooperative	July 23, 2001	---	102,467	30,740	---	10,247	20,493	---	---
Street/Water/Sewer Improvements Notes: Bankers Trust	September 1, 2006	3.90%-4.30%	1,850,000	1,360,000	---	170,000	1,190,000	56,774	---
Bellevue State Bank	November 23, 2009	3.75%	125,000	---	125,000	---	125,000	2,188	---
Fidelity Bank	November 23, 2009	3.75%	125,000	---	125,000	---	125,000	2,188	---
Street Improvement Notes: Bellevue State Bank	May 29, 2009	3.95%	150,000	150,000	---	21,425	128,575	6,057	---
Fidelity Bank	May 29, 2009	3.95%	150,000	150,000	---	21,425	128,575	6,057	---
Street/Sidewalk Improvement Note: Bellevue State Bank	May 29, 2009	3.95%	350,000	350,000	---	35,000	315,000	14,132	---
Fidelity Bank	May 29, 2009	3.95%	350,000	350,000	---	35,000	315,000	14,132	---
Sewer Refunding Bonds: Bankers Trust	March 1, 2010	1.00%-2.00%	815,000	---	815,000	180,000	635,000	2,788	---
Total General Obligation			\$ 2,475,740	\$ 2,475,740	\$ 1,065,000	\$ 558,097	\$ 2,982,643	\$ 107,856	\$ ---

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue Notes:									
Sewer Note:									
Bankers Trust	February 1, 1999	4.10%-5.00%	\$1,700,000	\$ 695,000	\$ ---	\$ 695,000	\$ ---	\$ 25,219	\$ ---
Cable TV Notes:									
Bellevue State Bank	March 7, 2008	5.53%	1,000,000	944,240	---	944,240	---	38,696	---
Fidelity Bank	March 7, 2008	5.53%	1,000,000	943,868	---	943,868	---	38,696	---
Bellevue State Bank	April 1, 2010	3.86%	1,000,000	---	1,000,000	9,006	990,994	12,441	---
Fidelity Bank	April 1, 2010	3.86%	1,000,000	---	1,000,000	9,010	990,990	12,811	---
Total Revenue Notes			\$ 2,583,108	\$ 2,583,108	\$ 2,000,000	\$ 2,601,124	\$ 1,981,984	\$ 127,863	\$ ---
Other Obligations:									
General Fund - Interfund Loan	February 1, 2004	---	240,886	\$ 96,352	\$ ---	\$ 24,089	\$ 72,263	\$ ---	\$ ---
Water Fund - Interfund Loan	June 30, 2004	---	400,000	280,000	---	40,000	240,000	---	---
Fire Truck Note:									
Iowa Department of Public Safety	September 16, 2008	---	70,000	66,500	---	48,500	18,000	---	---
Total Other Obligations			\$ 442,852	\$ 442,852	\$ ---	\$ 112,589	\$ 330,263	\$ ---	\$ ---

CITY OF BELLEVUE
BELLEVUE, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2010

	General Obligation Notes					
	Fire Station	Street, Water, Sewer	Street Improvement	Street Improvement	Street Improvement	Street Improvement
Year Ending June 30	Issued July 23, 2001	Issued September 1, 2006	Issued May 29, 2009	Issued May 29, 2009	Issued May 29, 2009	Issued May 29, 2009
	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Interest Rates
	Amount	Amount	Amount	Amount	Amount	Amount
2011	.00% \$ 10,247	4.100% \$ 180,000	3.95% \$ 21,425	3.95% \$ 21,425	3.95% \$ 21,425	3.95% \$ 21,425
2012	.00% 10,246	4.125% 185,000	3.95% 21,425	3.95% 21,425	3.95% 21,425	3.95% 21,425
2013	---	4.150% 195,000	3.95% 21,425	3.95% 21,425	3.95% 21,425	3.95% 21,425
2014	---	4.200% 200,000	3.95% 21,425	3.95% 21,425	3.95% 21,425	3.95% 21,425
2015	---	4.250% 210,000	3.95% 21,425	3.95% 21,425	3.95% 21,425	3.95% 21,425
2016	---	4.300% 220,000	3.95% 21,450	3.95% 21,450	3.95% 21,450	3.95% 21,450
Total	\$ 20,493	\$ 1,190,000	\$ 128,575	\$ 128,575	\$ 128,575	\$ 128,575

SCHEDULE "4" (Continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BOND AND NOTE MATURITIES
JUNE 30, 2010**

General Obligation Notes

Year Ending June 30	Street/Sidewalk Improvement		Street/Sidewalk Improvement		Street/Water/Sewer		Street/Water/Sewer		Sewer Refunding		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
	Issued May 29, 2009		Issued May 29, 2009		Issued November 29, 2009		Issued November 29, 2009		Issued March 1, 2010		
2011	3.95%	\$ 35,000	3.95%	\$ 35,000	3.75%	\$ 25,000	3.75%	\$ 25,000	1.00%	\$ 190,000	\$ 543,097
2012	3.95%	35,000	3.95%	35,000	3.75%	25,000	3.75%	25,000	1.30%	145,000	503,096
2013	3.95%	35,000	3.95%	35,000	3.75%	25,000	3.75%	25,000	1.70%	145,000	502,850
2014	3.95%	35,000	3.95%	35,000	3.75%	25,000	3.75%	25,000	2.00%	155,000	517,850
2015	3.95%	35,000	3.95%	35,000	3.75%	25,000	3.75%	25,000	---	---	372,850
2016	3.95%	35,000	3.95%	35,000	---	---	---	---	---	---	332,900
2017	3.95%	35,000	3.95%	35,000	---	---	---	---	---	---	70,000
2018	3.95%	35,000	3.95%	35,000	---	---	---	---	---	---	70,000
2019	3.95%	35,000	3.95%	35,000	---	---	---	---	---	---	70,000
Total		\$ 315,000		\$ 315,000		\$ 125,000		\$ 125,000		\$ 635,000	\$ 2,982,643

SCHEDULE "4" (Continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BOND AND NOTE MATURITIES
JUNE 30, 2010**

Year Ending June 30	Revenue Notes			Other Obligations					
	Cable TV			Cable TV		Water/Sewer Improvements		Water	
	Issued April 1, 2010			Issued April 1, 2010		Issued February 1, 2004		Issued June 30, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount	Interest Rates	Amount
									Fire Truck Note Issued Sept. 16, 2008
2011	3.86%	\$ 34,068	3.86%	\$ 34,068	\$ 68,136	---	\$ 24,089	---	\$ 7,000
2012	3.86%	35,407	3.86%	35,407	70,814	---	24,089	---	7,000
2013	3.86%	36,798	3.86%	36,798	73,596	---	24,085	---	4,000
2014	3.86%	38,244	3.86%	38,244	76,488	---	---	---	---
2015	3.86%	39,747	3.86%	39,747	79,494	---	---	---	---
2016	3.86%	41,308	3.86%	41,308	82,616	---	---	---	---
2017	3.86%	42,931	3.86%	42,931	85,862	---	---	---	---
2018	3.86%	44,618	3.86%	44,618	89,236	---	---	---	---
2019	3.86%	46,371	3.86%	46,371	92,742	---	---	---	---
2020	3.86%	48,193	3.86%	48,193	96,386	---	---	---	---
2021	3.86%	50,087	3.86%	50,087	100,174	---	---	---	---
2022	3.86%	52,054	3.86%	52,054	104,108	---	---	---	---
2023	3.86%	54,100	3.86%	54,100	108,200	---	---	---	---
2024	3.86%	56,225	3.86%	56,225	112,450	---	---	---	---
2025	3.86%	58,434	3.86%	58,434	116,868	---	---	---	---
2026	3.86%	60,730	3.86%	60,730	121,460	---	---	---	---
2027	3.86%	63,116	3.86%	63,116	126,232	---	---	---	---
2028	3.86%	65,596	3.86%	65,596	131,192	---	---	---	---
2029	3.86%	68,174	3.86%	68,174	136,348	---	---	---	---
2030	3.86%	54,793	3.86%	54,789	109,582	---	---	---	---
Total		\$ 990,994		\$ 990,990	\$ 1,981,984		\$ 72,263		\$ 18,000
									\$ 330,263

SCHEDULE "5"

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS**

	2010	2009	2008	2007	2006	2005	2004	2003
Receipts:								
Property tax	\$ 722,589	\$ 667,720	\$ 644,719	\$ 642,154	\$ 546,571	\$ 498,867	\$ 487,876	\$ 543,041
Tax increment financing collections	401,214	297,412	293,229	51,096	76,502	66,993	67,051	37,085
Other city tax	171,326	170,662	169,377	168,422	144,020	141,572	164,223	173,660
Licenses and permits	14,698	14,593	13,420	13,421	11,327	9,760	4,803	4,780
Use of money and property	9,664	11,965	23,776	48,022	36,768	19,623	66,214	17,434
Intergovernmental	482,684	305,970	267,203	256,036	300,198	430,717	262,901	331,270
Charges for services	33,159	30,433	35,237	35,284	37,140	27,336	23,310	24,672
Miscellaneous	576,039	127,373	130,960	62,297	91,906	95,226	147,064	47,042
Total	\$ 2,411,373	\$ 1,626,128	\$ 1,577,921	\$ 1,276,732	\$ 1,244,432	\$ 1,290,094	\$ 1,223,442	\$ 1,178,984
Disbursements:								
Operating:								
Public safety	\$ 434,801	\$ 590,501	\$ 406,646	\$ 401,721	\$ 383,556	\$ 358,504	\$ 374,221	\$ 354,078
Public works	359,853	476,719	419,147	2,048,764	576,783	336,235	292,279	211,154
Culture and recreation	238,277	297,908	240,738	274,190	273,144	373,284	552,543	253,251
Community and economic development	76,579	70,805	7,053	6,987	10,055	12,630	9,259	18,112
General government	346,116	327,883	327,948	358,703	397,234	259,011	259,108	277,566
Debt service	656,952	876,026	456,016	440,669	200,076	182,654	199,858	237,793
Capital projects	697,932	352,917	431,850	---	---	---	50,520	---
Total	\$ 2,810,510	\$ 2,992,759	\$ 2,289,398	\$ 3,531,034	\$ 1,840,848	\$ 1,522,318	\$ 1,737,788	\$ 1,351,954

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated May 18, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included a disclaimer of opinion on the required supplementary information including Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bellevue's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Bellevue's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bellevue's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to

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prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Bellevue's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-D-10, I-E-10, I-F-10 and I-G-10 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-H-10 and I-I-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of non-compliance that are required to be reported under Government Auditing Standards which is noted in Part I items I-A-10, I-B-10 and I-C-10 in the accompanying Schedule of Findings. In addition, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Bellevue's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Bellevue's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bellevue and other parties to whom the City of Bellevue may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bellevue during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa

May 18, 2011

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

I-A-10 Telecommunication Services – The City did not consistently allocate the cost of the use of City employees used by the telecommunication municipal utility as required by Chapter 388.10 of the Code of Iowa. Wages for all service calls between February and June 2010 were not allocated to the Telecommunications Fund. The errors resulted in an understatement of telecommunication services expenses of an unknown amount for the year ended June 30, 2010.

Recommendation – All wages of employees doing work for telecommunications should be allocated to the Telecommunications Fund.

Response – An agreement will be worked out between Utilities and the City for mutual use of the telecommunication system.

Conclusion – Response accepted.

I-B-10 Telecommunication Services - The City transferred money from the Payment In Lieu Of Tax Fund to the Telecommunications Fund. This may not be in accordance with Chapter 388.10 of the Code of Iowa which states that a city that owns or operates a municipal utility providing telecommunications cannot use General Fund monies for the ongoing support or subsidy of a telecommunications system.

Recommendation – The City should not support telecommunications from other governmental funds. The City may consider consulting an attorney about the Telecommunications Fund possibly having to repay the other funds for money received.

Response – In the future the City will only use funds from the Telecommunications Fund to support telecommunications.

Conclusion – Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

Part I: Findings Related to the Financial Statements: (Continued)

I-C-10 Telecommunication Services – By having a large deficit balance the Telecommunications Fund is in effect borrowing from the City's other funds including the General Fund which is not allowed according to Chapter 388.10 of the Code of Iowa.

Recommendation – The City should consider borrowing funds from outside sources to eliminate the deficit

Response – The City will investigate that option at the earliest possible convenience. The City is also raising rates and looking at ways to reduce expenses to eliminate the deficit.

Conclusion – Response accepted.

MATERIAL WEAKNESSES

I-D-10 Segregation of Duties - One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the individual who reconciles the City's checking account is also authorized to sign checks.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. We recommend that the bank statements be delivered directly to the City Administrator for review before being given to the individual responsible for the account reconciliations.

Response - We will investigate this.

Conclusion - Response accepted.

I-E-10 Vendors - The City Clerk is able to add new vendors to the City's records prior to receiving approval of the City Council or City Administrator.

Recommendation - The City Administrator should continue to approve all new vendors that the City does business with. Where practical, the City Council should also specifically approve these on a monthly basis.

Response - We will investigate ways to implement this change.

Conclusion - Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

Part I: Findings Related to the Financial Statements: (Continued)

I-F-10 Adjusting Journal Entries - Several adjusting entries were proposed to management to represent a fair presentation of the financial statements. The most significant adjustment was reclassifying debt service payments.

Recommendation - We recommend the City implement procedures to reasonably assure that account balances are fairly stated.

Response - We will consider this.

Conclusion - Response accepted.

I-G-10 Overpayment of Invoices - It was noted that an invoice was mistakenly paid twice and the error was not detected by the City staff.

Recommendation - The City should implement a system of assigning a standard invoice number to recurring invoices that do not have an invoice number on them. This will help prevent the same invoice from being paid multiple times.

Response - The City will consider implementing this change.

Conclusion - Response accepted.

SIGNIFICANT DEFICIENCIES:

I-H-10 Utility Billings - We noted that one customer was being charged an incorrect rate for water that was not in accordance with the rates approved by City ordinance.

Recommendation - The City should review all customers with changes of address and all new customers to ensure all customers are being charged utility rates in accordance with the rates passed by City ordinance.

Response - The City will review all customers with address changes and new customers to ensure all customers are being billed the correct utility rates.

Conclusion - Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

Part I: Findings Related to the Financial Statements: (Continued)

I-I-10 Employee Pay Rates – It was noted that two City employees were performing duties for the City departments other than their usual department and not being paid overtime.

Recommendation – The City should ensure employees are being paid accordingly.

Response – The City will ensure employees are being paid properly.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-D-10 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Marie Zeimet, Administrative Staff, Owner of Zeimet's Garage, Inc.	Repairs & Maintenance	\$ 1,688
Rick Heiar, Equipment Operation	Equipment Rental	\$ 210

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the employees do not appear to represent conflicts of interest since the transactions with each individual were less than \$2,500 during the fiscal year.

II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but weren't.

II-G-10 Revenue Notes - No instances of non-compliance with the revenue note resolution were noted.

II-H-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

Part II: Other Findings Related to Statutory Reporting: (Continued)

- II-I-10 Financial Condition - The Capital Projects Fund, Sewer Rental Fund, and Telecommunications Fund had deficit balances at June 30, 2010, in the amount of \$105,994, \$86,363 and \$825,839, respectively.

Recommendation - The City should investigate alternatives to eliminate the deficits in these funds in order to return the funds to a sound financial position.

Response - The Capital Projects Fund will be receiving grant funds from the State of Iowa to cover the shortage. We have refinanced the debt of the wastewater utility and have raised rates to replenish the Sewer Rental Fund. We have refinanced the telecommunications debt and have raised rates and are looking for ways to reduce expenses to reduce the deficit.

Conclusion - Response accepted.

- II-J-10 Payment of General Obligation Notes - Certain general obligation notes were paid from the Special Revenue- Fire Department Gift Fund and the Sewer Capital Fund. Chapter 384.4 of the Code of Iowa states, in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax must be deposited in the Debt service fund.

Recommendation - The City should transfer from the Special Revenue- Fire Department Gift Fund and the Sewer Capital Fund to the Debt Service Fund for future funding contributions. Payments for the notes should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.